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## Mexico

## Sugar

## Sugar Reference Prices to Pay Sugarcane for MY 2003/04

## 2004

**Approved by:**

William L. Brant  
Mexico City

**Prepared by:**

Dulce Flores

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**Report Highlights:**

The Secretariat of Economy announced in the *Diario Oficial* (Federal Register), on February 2, 2004, the wholesale reference price of a ton of standard sugar for MY 2003/04. This reference price is used in the calculations to pay growers for their sugarcane, but is not expected to significantly affect the price of standard or refined sugar.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Mexico [MX1]  
[MX]

**Introduction:** This report summarizes an announcement published in Mexico's "*Diario Oficial*" (Federal Register) on February 2, 2004.

**Disclaimer:** This summary is based on a  *cursory* review of the subject announcement and therefore should not, under any circumstances, be viewed as a definitive reading of the regulation in question, or of its implications for U.S. agricultural export trade interests. In the event of a discrepancy or discrepancies between this summary and the complete regulation or announcement as published in Spanish, the latter shall prevail.

**FAS/Mexico's Executive Summary:** The Secretariat of Economy (SE) announced in the *Diario Oficial* (Federal Register), on February 2, 2004, the wholesale reference price of a ton of standard sugar for MY 2003/04. This is a routine announcement that the government publishes every year, because this reference price is used in the calculations to pay growers for their sugarcane. The reference price increased to \$5,187.65 pesos/MT (US\$471.60/MT) from \$4,766.41 pesos/MT (US\$407.38/MT) in MY 2002/03, the largest increase since MY 2000/2001. Mill owners are required to give sugarcane growers 57 percent of this wholesale reference price.

**Analysis:** This represents an 8.8 percent increase in peso terms from MY 2002/03 to MY 2003/04 for the wholesale reference price of standard sugar. Although this has no direct bearing on the price of standard or refined sugar, it will increase the amount that sugar mill owners will have to pay to sugar cane growers by 8.8 percent -- from approximately \$2,716.85 pesos/MT in MY 2002/03 (US\$232.20/MT) to \$2,956.96 pesos/MT for MY 2003/04 (US\$268.81/MT) -- or 57 percent of the established reference price. This formula for determining grower sugarcane prices has been in place since 1993. Wholesale and retail market prices for sugar will continue to be determined independently, i.e., market demand, and are not expected to significantly increase as a result of this new reference price. Given the importance of the sugar industry and the political influence it wields, such increases in the reference price are seen as a way for the GOM to placate an important constituency and continue its protection of the domestic sugar market. These routine annual increases in the reference price are expected to keep domestic sugar production at least at its current level. Although production has increased slightly in the past few years, this has not resulted in large inventories due to increased sugar demand by the Mexican soft drink industry as a result of the HFCS beverage tax. Should this tax be removed and the reference price remain in effect, large inventories -- like those Mexico had before 2002 -- would likely reoccur. Large sugar stocks support Mexico's claim of being an excess sugar producer and its assertion that it, as a NAFTA partner, should be granted more access to the U.S. sugar market.

**Title:** Announcement that Establishes the Reference Price for Sugar to Pay Sugarcane for MY 2003/04.

#### **Important Dates**

- 1. Publication Date:** February 2, 2004
- 2. Effective Date:** February 2, 2004

#### **For More Information:**

*AgMexico@usda.gov*

*Fax:* 011-52-55-5080-2776

**Internet Connections**

*FAS Mexico Web Site:* We are available at <http://www.fas-la.com/mexico> or visit our headquarter's home page at <http://www.fas.usda.gov> for a complete selection of FAS' worldwide agricultural reporting.

***Useful Mexican Web Sites:*** Mexico's equivalent of the Department of Agriculture (SAGARPA) can be found at [www.sagarpa.gob.mx](http://www.sagarpa.gob.mx) and Mexico's equivalent of the Department of Commerce (SE) can be found at [www.economia.gob.mx](http://www.economia.gob.mx). These web sites are mentioned for the readers' convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with the information contained on the mentioned sites.